What happens to the P/E ratio if the Earnings Per Share (EPS) is zero?

Let the Stock Price (P) be ₺20. Let the Earnings Per Share (EPS) be ₺0.00. In this case, the Price-to-Earnings (P/E) ratio becomes undefined.

The calculation 20/0.00 is undefined (or infinite/limitless, I will explain the reason at the end).

In this scenario, the P/E ratio is accepted as undefined and is not used. It signifies that the company's earnings are zero relative to its current share price.

This situation can be applicable to newly established, rapidly growing companies that are in the transition phase to profitability but are not yet profitable.

Some companies may intentionally choose to operate at a loss. Since the company is not making a profit (EPS is 0 or negative), the P/E ratio becomes undefined. It may be investing all the revenue it generates back into growth.

If you are paying money for the share of a company that isn't making any profit, the cost you are paying to obtain ₺1 of earnings is theoretically too large to measure, which is why I wrote the result of the calculation as "undefined" (or, technically, "limitless/infinite").